Briefs

Livestock, Dairy, & Poultry

Hog Producers Signal Plans To Expand

Hog producers plan to continue increasing production over the next 6 months, according to the September *Hogs and Pigs* report. As of September 1, hog producers indicated they intend to have 2 percent more sows farrowing in September-November than a year earlier, and 3 percent more in December-February than a year earlier. If these September plans are realized, an increase in pork production is assured in 1999. The September-November farrowing intentions are slightly reduced from the 3-percent increase producers indicated last June.

States where large producers dominate, such as North Carolina and Oklahoma, account for most of the increase in December-February farrowing intentions. Several traditional hog producing States also reported increases, including Illinois, Iowa, Michigan, and Ohio.

Pork production is expected to rise about 9 percent this year over 1997. Given the lackluster returns that are expected to continue next year, growth in pork production is expected to slow to about 4 percent in 1999. Although corn and soybean meal prices have plummeted, bringing down costs of feed—the major component of hog production costs—hog prices are nearly 40 percent below a year ago due to large supplies of pork and competing meats.

After about a year of unfavorable returns, producers normally begin to liquidate their breeding herds, leading to reduced sow farrowings and pig crops. The smaller pig crops result in reduced pork production about 6 months after farrowing. The present period of unfavorable returns began in late 1997, which might have been expected to lead to a *decline* in farrowings, dampening prospective pork production gains next year.

Several factors may explain this contrast with the increase in farrowing intentions in the *Hogs and Pigs* report. First, current estimations of producers' costs and returns are based on live-weight price at the time of sale. But since many producers sell on a grade and yield basis (i.e., price is determined by the quality of carcass), they may be receiving an *effective* price higher than the live-weight price. Second, producers who forward contract hogs receive a price based on a pre-negotiated formula usually tied to the futures markets. This year, such pricing raised the effective price received by these producers because producers locked in higher prices before they declined. Finally, current low corn and soybean meal prices pushed break-even prices (based on cash cost) below the hog prices expected by next year. Consequently, returns to hog production may not have dropped as sharply as the decline in average hog prices suggests.

In addition, business planning periods are becoming longer as production units expand. Thus, production plans are based on the outlook for the next several years rather than just the current year.

Increasing supplies of pork and large supplies of poultry will keep hog prices hovering near $30 per cwt next year. But this fall, prices will likely be in the mid- to high-$20's as slaughter hits its seasonal peak. In some weeks, federally inspected slaughter has exceeded 2 million head, near the levels reached in 1994.

Hog prices are expected to average $33-$34 per cwt in 1998, compared with $51 last year. The last time hog prices dropped below this level was in 1972

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption Total	Consumption Per capita	Primary market price
		Million lbs.							*Lbs.*	*$/cwt*
Beef	1998	465	25,719	2,536	28,720	2,110	400	26,210	67.9	61.47
	1999	400	24,031	2,760	27,191	2,155	350	24,706	63.4	69-75
Pork	1998	408	18,772	660	19,840	1,245	475	18,120	52.0	33.87
	1999	475	19,455	700	20,630	1,260	490	18,880	53.7	33-35
										c/lb.
Broilers	1998	607	27,522	5	28,133	4,683	600	22,850	73.5	62.5
	1999	600	28,943	4	29,547	4,525	650	24,372	77.7	56-61
Turkeys	1998	415	5,222	1	5,638	421	350	4,866	18.0	61.7
	1999	350	5,235	1	5,586	430	300	4,855	17.8	60-64
		Million doz.							*No*	*c/doz.*
Eggs*	1998	7.4	6,647.3	5.9	6,660.6	226.2	10.0	5,503.3	244.4	75.9
	1999	10.0	6,790.0	4.0	6,804.0	243.0	10.0	5,581.0	245.7	70-76

Based on October 9, 1998 *World Agricultural Supply and Demand Estimates.*
*Total consumption does not include eggs used for hatching.
See appendix tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

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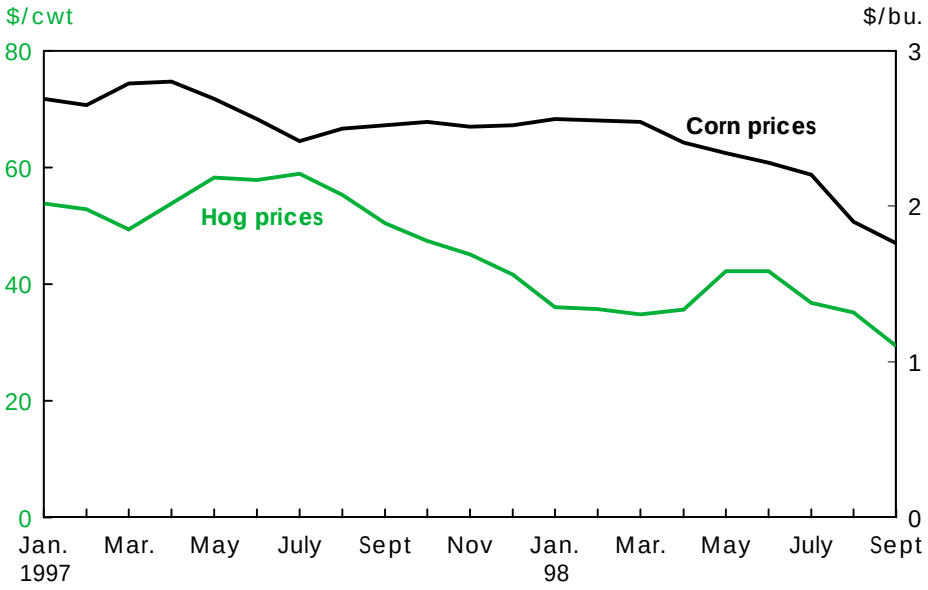
Hog Prices Have Dropped, But So Have Corn Prices



Average prices received by producers. September preliminary.
Economic Research Service, USDA

when they averaged $27 per cwt. Prices in 1999 are expected to average about the same as in 1998.

The Bureau of Labor Statistics retail pork price index is expected to decline 5-6 percent in the second half of 1998, after showing a 4-percent decline from a year earlier in the first half of the year. This gradual decline in retail prices is not unusual because declines in farm value take over a year to be passed on to consumers, according to research by USDA's Economic Research Service.

For all of 1998, retail prices are expected to decline about 5 percent. However, if prices were weighted by volume sold (in contrast to a simple average), the average retail price would be lower because a larger proportion of sales occurs when particular cuts are featured.

The abundant supplies of higher value pork cuts will provide consumers an attractive alternative, especially if beef prices rise substantially. Starting late this year, beef production is expected to decline, and year-over-year decreases should continue through 1999. Per capita pork consumption is expected to rise about 7 percent (3 pounds) this year. A 4-percent gain (2 pounds) is expected in 1999.

Lower prices have also boosted pork exports—volume is up over a third during January-July compared with a year ago. For the year, U.S. pork exports are expected to post a double-digit increase, but most of the increase is due to attractive prices of lower value cuts. These products compete with an abundant supply of dark poultry meat products in the international markets.

Reduced prices for lower value cuts, such as picnic hams and trimmings, have provided incentives for low-income countries like Russia and Mexico to more than double their year-over-year purchases. Russia and Mexico account for about 10 and 20 percent of U.S. pork exports. Given the precarious position of developing countries in world capital markets, prospects for maintaining large export volumes—even at very low prices—are questionable. In the second half of 1998, monthly exports to Russia are expected to fall, reflecting that country's financial crisis. U.S. exports to Mexico could also be slowed if tariff-rate quotas are reached.

Strong sales of Canadian hogs to the U.S. have continued. Imports of Canadian hogs are expected to exceed 4 million head this year, up from 3.2 million in 1997. The favorable U.S.-Canadian exchange rate and a 4-percent rise in the September 1 Canadian hog and pig inventory suggest that Canadian hogs are going to continue heading south of the border.

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November Releases—USDA's Agricultural Statistics Board

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

November

2 *Crop Progress (after 4 p.m.)*
3 *Dairy Products*
4 *Broiler Hatchery*
Egg Products
Poultry Slaughter
6 *Cheddar Cheese Prices (8:30 a.m.)*
9 *Crop Progress (after 4 p.m.)*
10 *Cotton Ginnings (8:30 a.m.)*
Crop Production (8:30 a.m.)
12 *Broiler Hatchery*
Turkey Hatchery
13 *Cheddar Cheese Prices (8:30 a.m.)*
Cattle on Feed
Milk Production
Sheep
16 *Crop Progress (after 4 p.m.)*
18 *Broiler Hatchery*
20 *Cheddar Cheese Prices (8:30 a.m.)*
Cold Storage
Farm Labor
Livestock Slaughter
23 *Chickens and Eggs*
Crop Progress (after 4 p.m.)
24 *Catfish Processing*
25 *Cotton Ginnings (8:30 p.m.)*
Broiler Hatchery
Peanut Stocks and Processing
27 *Cheddar Cheese Prices (8:30 a.m.)*
30 *Agricultural Prices*
Crop Progress (after 4 p.m.)

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Specialty Crops

U.S. Orange Crop To Decline Sharply In 1998/99

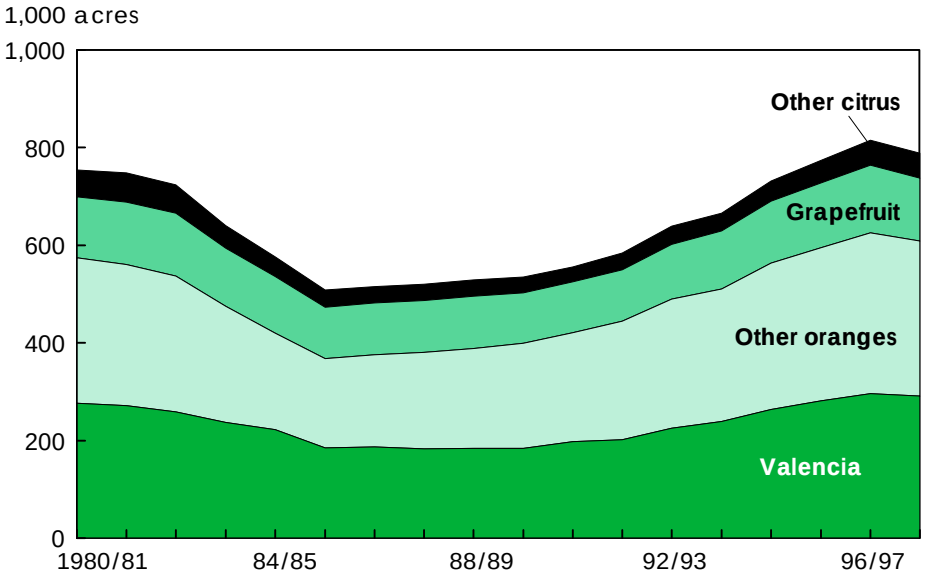
After 2 years of record-setting citrus crops, adverse weather is expected to lower U.S. production to 15 million short tons in 1998/99, down 17 percent from last season. Wet and cool conditions have reduced production prospects in California, and wet weather in Florida this past winter followed by drought in the spring stressed orange trees, reducing fruit set from the previous 2 years. These conditions also slowed crop development in both States, and harvest is expected to begin later than last year.

Despite a 2-percent rise in bearing acreage, the California navel orange crop is forecast 23 percent lower than last year at almost 1.3 million tons and 15 percent below 2 years ago. Smaller fruit size and reduced fruit set are the major factors in the decline in the navel crop (which mostly enters the fresh market through spring). Because consumers generally prefer larger fruit, the smaller fruit size could limit price increases that would otherwise result from the reduced supply. Fresh-market supplies from California will likely be down next summer as well—the California Valencia crop is forecast down 7 percent at 1.05 million tons.

Florida's citrus crop is expected to drop about 18 percent from last year and 16 percent from 1996/97, with orange production accounting for most of the decline. The orange crop, primarily used for juice, is forecast at 8.6 million tons, down 22 percent from last year. A smaller orange crop is also expected in Brazil, the world's other major orange juice producer.

Smaller orange crops in both countries could boost grower prices this season, which could lead to an increase in retail juice prices. However, large beginning stocks in the U.S. (season beginning December) and Brazil (season beginning last July) will partially offset declines in orange juice production.

Florida Citrus Area Halts Expansion After Long Buildup



Bearing acres.

Economic Research Service, USDA

The U.S. grapefruit crop is forecast at 2.63 million tons, up slightly from the final quantity utilized last year but down 9 percent from 1996/97. Larger crops in Florida and Texas are expected to offset smaller crops in California and Arizona. Stagnant demand for grapefruit (both fresh and processed) could push the final utilized production estimate below the current forecast. The size of this year's crop in Florida is expected to put downward pressure on prices for growers, who have experienced depressed prices over the past few years.

Citrus area in Florida has stopped expanding, according to the biennial citrus tree inventory released in early September by the Florida Agricultural Statistics Service. Area had been rebounding after losses from several freezes in the 1980's. As of January 1, 1998, citrus bearing acreage dropped 3 percent from the last survey in 1996 to 787,709 acres, marking the first decline in 11 years.

Since the mid-1990's, flat or declining returns for citrus growers have sharply lowered planting incentives in Florida. The State now has 609,209 bearing acres of oranges, 127,800 bearing acres of grapefruit, and 50,700 bearing acres of specialty citrus such as tangerines, temples, tangelos, and limes.

Grapefruit acreage in Florida declined 8 percent, more than any of the citrus crops. The decrease in acreage of white seedless varieties was greater than for red seedless. The proportion of land planted to red grapefruit varieties has increased throughout the 1990's, reflecting U.S. and European consumer preferences.

Acreage of oranges increased by less than 1 percent since 1996. Despite the minimal acreage gain, the number of orange trees increased 2 percent because newer blocks of trees, especially in the southwestern part of Florida, are planted at a higher density than older plantings. Valencia orange acreage, which accounts for about 48 percent of orange acreage, is up about 2 percent from 1996. Acreage of Hamlins (which rank second) increased 1 percent, and acreage declined for navel, ambersweet, and pineapple orange varieties.

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